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Gaynor, William Jay

Message of
Hon. William J. Gaynor...

[New York]

[1911]

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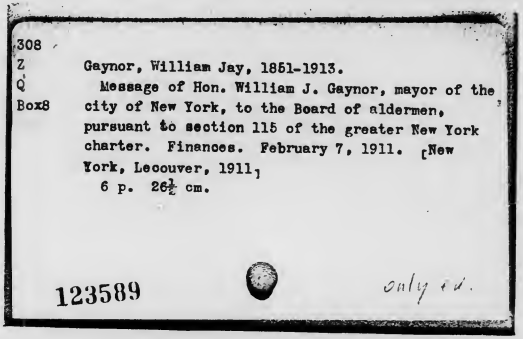

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MESSAGE

OF

Hon. William J. Gaynor

Mayor of The City of New York

TO THE

Board of Aldermen

**PURSUANT TO SECTION 115
OF THE
GREATER NEW YORK CHARTER**

FINANCES

February 7, 1911

MESSAGE

OF

Hon. William J. Gaynor

Mayor of The City of New York

TO THE

Board of Aldermen

PURSUANT TO SECTION 115
OF THE
GREATER NEW YORK CHARTER

FINANCES

February 7, 1911

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LECOUVER PRESS COMPANY,
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1911.

June 2, 1915 MH

City of New York, Office of the Mayor, February 7, 1911.

To the Honorable, the Board of Aldermen:

I have the honor to communicate to you as required by section 115 of the City Charter "a general statement of the finances, government and improvements of the City" for the year 1910. I shall confine this communication to the City's finances and subways, leaving other subjects for a later communication.

Financial Condition.

I submit the Comptroller's financial statement. The City is prohibited by a provision of the Constitution of the State from becoming indebted, except for water supply, in an amount exceeding 10 per cent. of the assessed valuation of real estate in the City. On that basis the City's capacity to become indebted for general purposes, i. e., purposes other than water supply, was $58,764,207.36 on December 31, 1909. This was increased $24,000,000 in round numbers by the increase in assessed real estate values in 1910. The Comptroller's present report shows that this margin had fallen to $35,017,700.49 on December 31, 1910. According to experience this is insufficient for one year's obligations for general purposes of a kind which have to be met by the sale of corporate stock. The sale of corporate stock for such purposes during the last five years, excluding subway construction and charges, has averaged $47,000,000 the year, in round numbers. To this should be added for completeness that on January 24 of this year $30,160,000 of corporate stock was sold to pay obligations for such general purposes incurred prior to this year.

Increased Valuations in 1911.

It was plain enough that if the City had to construct the necessary subways with City money exclusively (i. e., to be raised by the sale of the City's corporate stock) it was necessary to raise the assessed real estate values of the City to give a sufficient margin for the issue of such corporate stock. Therefore in swearing in the new Board of Tax Commissioners when I came in as Mayor in January, 1910, I charged them to enter on the work of equalizing assessed values of real estate throughout the City. I repeated this charge several times during the year. Such values in some sections, and in many isolated instances by favoritism, were relatively much lower than in others. Justice required that they be raised, or else that the others be lowered. We decided to make the raises. All of the real estate of the City should be valued on the same basis for taxation. Otherwise, some would be paying more than their just and lawful share of the expenses of government. The work of equalization was well done by the Tax Commissioners. The result is that next July, when the assessment rolls are confirmed, the extraordinary increase of $800,000,000 in assessed values will be shown. The usual normal increase would have been about $250,000,000. This would have given the City an additional corporate stock or indebtedness margin of only $25,000,000. But by the large increase of $800,000,000 this year we shall be given an additional margin of $80,000,000 in July next. During the next three years there will be nothing but the normal increase, i. e., of about $250,000,000 a year. It is not the purpose to make any extraordinary increase in these years. It is not meet for tenants, to say nothing of landlords, that real estate be overburdened by taxation. That could only result in lack of repairs and improvements. Those who loosely entertain the false economic notion that taxes fall on the tenant and not on the owner will not be able to see this. But every landlord knows that he cannot add his taxes to rents. If he could he would not care how high taxes grew. He would simply throw them on his tenants. The amount of rents depends on the supply and demand of houses. The greater the supply the lower are rents, even though taxes may grow higher. Rents do not rise and fall with taxes. But excessive taxes may discourage building, and in that way temporarily raise rents.

Necessary Improvements Other Than Subways.

But this increase of $80,000,000 is all needed for various necessary improvements other than subways which have been postponed for several years now until the matter of subway construction should be disposed of. It is better that this fact be stated. Among these postponed improvements are court houses for the Supreme Court for the counties of New York, Kings and Richmond; minor court houses; borough halls

or municipal buildings in the boroughs; delayed new schoolhouses and hospitals; the construction of sewers; the acquisition of parks and playgrounds; the opening of parkways and streets of such a character that the City should pay for them in whole or in part; the completion of bridge terminals; and many other things, all aggregating more than $80,000,000.

The Subway Fund.

We have for subway construction, however, $47,000,000 which can be used for no other purpose. It is the amount invested by the City in the construction of the present subway. Having become self-sustaining out of subway earnings in respect of interest and the sinking fund established to pay it off, it has been released by the Supreme Court in accordance with a recent constitutional amendment from being reckoned as part of the City debt in ascertaining whether the 10 per cent. indebtedness limit has been reached. But this sum will scarcely suffice to construct a trunk line through Manhattan. And by the time it should be consumed for that purpose, it is a serious question whether the City's borrowing margin would enable us to go on constructing extensions into the boroughs, except little by little and by such slow degrees for lack of funds that ten or more years would elapse before their construction.

Private Capital to Help Build Subways.

Many of us have therefore been anxious to have private capital come forward to help the City build the subways. If a sufficient amount of private capital could be added to the amount the City has on hand for subway construction, so that in that way a fund large enough to construct the subways would be made available to the City, the work of construction could be started in all the boroughs at once and simultaneously, and most of it completed within three years and all of it within five.

Strangely enough when this was proposed many persons, including some public officials, thought that it meant the building, ownership and control of the subways by corporations—so uninformed were they of the subway law. They set up a demand for "city built, owned and controlled subways," as they phrased it, not knowing that was the only kind that could be built under the sections of the statute applicable to the case. They have to be constructed by the City through the Public Service Commission, and are owned by the City from the start. The City only leases them out for operation. This is the case whether the City puts in all of the construction money or only part of it. The interest on the money put in by the City is paid out of the earnings of the subway. The interest on the private capital furnished to the City and put in is paid in the same way. The principal put in by the City is paid by a sinking fund created out of such earnings. The principal of the private capital put in is paid in the same way. This is all now well understood, although it is still being falsified by a few for the purpose of public deception. For instance, the present subway through Manhattan and The Bronx was constructed by the City entirely with the City's money. Its extension under the East River and over into Brooklyn was built by the City by a combination of $2,000,000 of the City's money with about $7,000,000 of the operating company's money. But the City built it and owns and controls it the same as though it put in all of the money. The City's interest and principal, and the Company's interest and principal, are paid out of earnings in the way I have already stated.

All Subways Have to Be Built by the City.

The members of the Board of Estimate and Apportionment are all in favor of proceeding to construct the necessary subways. I need not add by the City, for that is the only way they can be built. Whatever routes are constructed have to be City built, owned and controlled, as I have already pointed out. Those who are loudly demanding City built, owned and controlled subways are under the delusion that some other kind are proposed, or could be built under the law. The existing subway is only a fragment of a complete subway system laid out by the old Rapid Transit Commission several years ago to be built, owned and controlled by the City, and approved, route by route, by the Appellate Division of the Supreme Court, as required by the subway statute. By such system the present subway on the East Side, which now goes only to 42d st., and thence turns west through that street to Broadway, is, instead, to be continued ahead through Lexington avenue and thence on and through the Borough of The Bronx, with as many branches as necessary; and, on the other hand, by such system, the present subway on the West Side which turns east through 42d st., is, instead, to be continued ahead straight downtown on the West Side through 7th ave. and other streets, and through Liberty st. and under the East River over into Brooklyn, where it branches out into the Flatbush ave., 4th ave., Eastern parkway and Lafayette ave. routes. An extension from 4th ave., Brooklyn, under the water to the Borough of Richmond is also being laid out. The Steinway tunnel, from the Grand Central station in Manhattan, is also to be completed into the Borough of Queens and

there extended. This gives a five-borough system. It is to be operated on a single fare throughout the whole system.

Difference in Board of Estimate and Apportionment on Subways.

The difference in the Board of Estimate and Apportionment is whether the City shall complete this system, planned and laid out gradually from the beginning, and partly built, or abandon it and build what is called by some an "independent" system, and by others a "City" system. As I have already pointed out, we cannot build any system except a City system. The use of this phrase can therefore mislead no intelligent person. And the phrase "independent" system means independent and separate from the present subway. That would mean two independent systems with a separate fare on each, so that an additional fare would have to be paid to transfer from one to the other. It seems hard to understand why such a thing is proposed and striven for. The vast majority of the people of the City are opposed to it. A double fare is a serious thing to most people. Some of us worked for years for the legislation by which the many surface lines were got into one system by means of leases for the purpose of securing a single fare and free transfers. And now some would throw all of that to the winds in respect of our subways. The people of the City now have the matter of a single fare throughout the City on our subways completely in their own hands. They should not throw it away. It seems to be an indisputable case that we should have one system connecting all of the boroughs, with a single fare all over the system.

The Routes of the Proposed New System.

And when the principal routes of this so-called "independent" system are traced on the map they are found to be the principal routes laid out and established several years ago, as I have said, to complete the present subway system. If they should now be detached and made into a new system, with a new fare to be paid, the people of the City would never cease to regret it. The principle of one system, built, owned and controlled by the City, is being generally adopted. For an example of this the subway system now being constructed by the City of Paris, to be leased out for operation, may well be studied.

A Single Fare Would Pay.

Some say that one fare over the whole City would not pay, and cite in proof the bankruptcy five years ago of the street surface road system in Manhattan and The Bronx, which was based on the single fare. The single fare did not bankrupt that system. It was bankrupted by an over-capitalization which grew to be so huge that the best earnings of the system did not suffice to pay the interest thereon. The like of that cannot be repeated. The Public Service Commission has since been established. The law puts on it the duty of allowing no bonds or stocks to be issued by public service corporations except for money actually used for construction and equipment.

The Offer of the Present Subway Company.

The present subway company has offered to furnish to the City all of the capital necessary for the City to construct and equip the said established subway system of which the present subway is a fragment or part, and additional extensions, over and above $53,000,000 to be put in by the City. The amount the Company will put in is estimated at $75,000,000. This would enable the City and the Public Service Commission to begin construction at once in all of the boroughs. The capital put in by the City and the Company would be paid, interest and principal, out of the earnings and by means of sinking funds, as I have already explained. The Company proposes that the profits be divided equally between it and the City. The proposition with proposed additions to and modifications of it is now under consideration by the Public Service Commission and the Board of Estimate and Apportionment. The difference among us in the Board of Estimate has caused a long delay, which, I trust, will soon be brought to an end. The statement is being made that a majority of the members of the Board are breaking campaign pledges made by them to build the so-called 'independent" system. No member of the Board ever made such a pledge. All said they were in favor of the City proceeding to build necessary subways. No one pledged himself to any particular route. That was properly left for official consideration and settlement. The proposition of an independent system seems to grow largely out of dislike of the present subway Company. And yet, if we should build a new and independent system, we would have to put it up for competitive bids for a company to operate it; and the chances are that the present Company would be the successful bidder. But if another company should succeed, wherein would we be better off? We would have an additional fare to pay for transfers, the new company would be no different or better than the present one, and the Public Service Commission would have two companies to control instead of one. Respectfully,

WILLIAM J. GAYNOR, Mayor.

City of New York, Department of Finance; William A. Prendergast, Comptroller, January 16, 1911.

Hon. WILLIAM J. GAYNOR, Mayor of The City of New York:

Dear Sir—I am requested by the Comptroller to hand you herewith what is known as the "Debt Statement" of The City of New York, as of December 31, 1910 (p. m.), prepared by direction of the Comptroller, in accordance with the decision of the Court of Appeals. Also transmitted herewith are comparative tables indicating the movements of the funded and temporary debt, in an annual comparison including 1908, 1909 and 1910. Very truly yours,

EDMUND D. FISHER, Deputy Comptroller.

THE CITY OF NEW YORK—DEPARTMENT OF FINANCE.

Comparative Table of the City Debt.

FUNDED DEBT.

	December 31, 1908.	December 31, 1909.	December 31, 1910.
Gross Funded Debt	*$799,441,994 09	†$880,430,288 88	‡$946,003,798 14
Less amount thereof held by the Commissioners of the Sinking Fund	*210,396,340 02	†232,368,059 96	‡256,440,289 61
Net Funded Debt	$589,045,654 07	$648,062,228 92	$689,563,508 53
Net Funded Debt as at December 31 of preceding year	532,226,301 03	589,045,654 07	648,062,228 92
Increase of Net Funded Debt as at December 31, 1908, over December 31, 1907	$56,819,353 04		
Increase of Net Funded Debt as at December 31, 1909, over December 31, 1908		$59,016,574 85	
Increase of Net Funded Debt as at December 31, 1910, over December 31, 1909			$41,501,279 61

TEMPORARY DEBT.

Revenue Bonds Issued in Anticipation of Taxes.	December 31, 1908.	December 31, 1909.	December 31, 1910.
Amounts Outstanding—			
Revenue Bonds of 1902	.....	$750,000 00	.....
Revenue Bonds of 1903	$10,000 00	1,450,000 00	.....
Revenue Bonds of 1904	2,570,000 00	1,865,000 00	.....
Revenue Bonds of 1905	7,400,000 00	2,700,000 00	.....
Revenue Bonds of 1906	9,160,000 00	4,308,000 00	$3,425,000 00
Revenue Bonds of 1907	13,625,000 00	6,822,000 00	3,971,103 13
Revenue Bonds of 1908	41,241,600 00	13,441,000 00	6,332,000 00
Revenue Bonds of 1909	.....	29,031,290 00	7,154,252 32
Revenue Bonds of 1910	.....	.....	37,992,177 63
	$74,006,600 00	$60,367,290 00	$58,874,533 08
Total amount outstanding as at December 31 of preceding year	53,646,036 92	74,006,600 00	60,367,290 00
Decrease December 31, 1909, in Temporary Debt, compared with December 31, 1908		$13,639,310 00	
Decrease December 31, 1910, in Temporary Debt, compared with December 31, 1909			$1,492,756 92
Plus decrease in year 1909 in Temporary Debt			13,639,310 00
Total decrease in Temporary Debt as at December 31, 1910, compared with December 31, 1908			$15,132,066 92

* Includes $68,750,000 of General Fund Bonds, issued pursuant to chapter 103, Laws of 1903.

† Includes $85,500,000 of General Fund Bonds, issued pursuant to chapter 103, Laws of 1903.

‡ Includes $102,500,000 of General Fund Bonds, issued pursuant to chapter 103, Laws of 1903.

THE CITY OF NEW YORK—DEPARTMENT OF FINANCE.

Statement Arriving at the Constitutional Borrowing Capacity of The City of New York as at December 31, 1910 (P. M.), Prepared by Direction of the Comptroller, in Accordance with the Decision of the Court of Appeals.

Ten (10) per cent. of assessed valuation of real estate subject to taxation, as per assessment rolls for 1910			$704,419,267 40
Gross Funded Debt as at December 31, 1910		$946,003,798 14	
From which are to be exempted, in accordance with the provisions of the Constitution, as set forth by decision of the Court of Appeals, County bonds and certain water bonds, the latter for debt incurred subsequent to January 1, 1904, viz.:			
County bonds	$20,525,698 68		
Water bonds issued since January 1, 1904	85,797,323 26		
Less amount of cash used from the proceeds of above water bonds as provided in deductions incurred prior to January 1, 1904	9,252,327 72	78,544,995 54	99,070,694 22
Rapid Transit bonds exempted by decision of Appellate Division of Supreme Court	.....	.....	43,868,325 18
			$142,939,019 40
Total Sinking Fund Holdings for the Redemption of Bonds:			
New York City bonds	$256,640,289 61		
Mortgages	58,792 50		
Cash	1,270,916 67		
	$257,969,888 78		
Less amount required to be set aside for the amortization of New York County bonds	$6,712,228 77		
Less amount required to be set aside for the amortization of exempt water bonds	1,257,421 76		
Less amount required to be set aside for the amortization of exempt rapid transit bonds	1,926,389 09	9,896,039 62	248,073,849 16
Total Constitutional Funded Debt			301,012,266 56
Net bond liability, including interest to December 31, 1910 (estimated)			$35,706,481 00
Net current liabilities			40,892,106 98
Judgments and open market orders (estimated)			750,000 00
			$77,348,887 98
Less Cash Balances Available Therefor:			$554,990,929 58
Corporate stock and assessment funds		$3,222,043 88	
Unallotted cash balances of proceeds of sales of corporate stock, not including similar balances from water bonds sold		3,584,231 95	6,806,275 83
			70,542,312 15
Margin of legal borrowing capacity of The City of New York as at December 31, 1910 (p. m.), i. e., debt limit			625,533,241 73
The Margin thus Established Is Available for:			$78,886,025 67
Rapid transit purposes only (amount of rapid transit bonds exempted)			$43,868,325 18
For such purposes as the Board of Estimate and Apportionment may determine, including rapid transit, should the Board so decide			35,017,700 49
			$78,886,025 67

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